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DIRECTORATE OF  
INTELLIGENCE

## Intelligence Report

### *The Economic Situation in South Vietnam* (Biweekly)

State Dept. review completed

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117

1 June 1970  
No. 0423/70

**Secret**

25X1

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence

The Economic Situation in South Vietnam

Summary

Official data on rice production in South Vietnam show that output of paddy increased 17 percent during the 1969/70 crop year that ended 31 May. This impressive increase resulted primarily from higher yields due to increased cultivation of "miracle" rice and good weather.

While production of vegetables and livestock products reached record highs in 1969, output of most other agricultural products continued to decline. The area planted to crops other than rice decreased for the sixth successive year.

On 25 May the retail price index for Saigon was unchanged from the level prevailing two weeks earlier. On 21 May the government decreed temporary new taxes on imports pending National Assembly passage of a law to restore the austerity tax rates that were recently nullified by a Supreme Court ruling.

During the two weeks ending 25 May the black market price of dollars in Saigon declined somewhat, while the rates for gold leaf and MPCs increased.

ANNEX: Monthly and Weekly Currency and Gold Prices  
(Graph)

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1970 Rice Crop

1. Final estimates indicate that South Vietnam's 1969/70 rice crop amounted to 5.1 million metric tons of paddy, or 17 percent more than the 4.4 million tons harvested during the crop year that ended 31 May 1969. Although there was a slight increase in total cultivated area because of improved security, the dramatic increase in output--to the highest level in five years--resulted almost entirely from higher yields due to the greater use of IR 8 and IR 5 rice and good weather. Nationwide, the average yield per hectare reached an all-time high of 2,114 kilograms of paddy, compared with yields of 1,824 kilograms the preceding year and 2,099 kilograms in the record 1963/64 crop year. More than 200,000 hectares were planted to IR 8/5 rice during the 1969/70 crop year compared with 44,000 hectares during 1968/69. The average yield per hectare for the "miracle" rice was estimated at five tons in 1969 and 4.7 tons in 1970, compared with about two tons for the traditional varieties. The following tabulation shows the total output of paddy and the share contributed by IR 8/5 in both years (in thousands of metric tons).

	<u>1968/69</u>	<u>1969/70</u>	<u>Percentage Increase</u>
Total	4,366	5,115	17
of which:			
IR 8/5	220	940	327
Traditional varieties	4,146	4,175	1

2. Production increased significantly in all corps areas and, in fact, rose in all but four of the 44 provinces. In those provinces--Thua Thien in I Corps, and Bien Hoa, Binh Duong, and Phuoc Long in III Corps--the decline was the result of a decrease in cultivated area. Output in IV Corps, which accounts for about 70 percent of South Vietnam's total rice production, increased 18 percent. Although cultivated area in three of the four largest rice producing provinces in IV Corps--Ba Xuyen, Bac Lieu, and An Giang--declined during the 1969/70 crop year,

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production increases ranged from five to 41 percent because of higher yields. The 41-percent increase occurred in Bac Lieu, which suffered extensive losses from drought the previous year.

<u>Corps</u>	<u>Cultivated Area</u> (1,000 hectares)		<u>Production</u> (1,000 metric tons)	
	<u>1968/69</u>	<u>1969/70</u>	<u>1968/69</u>	<u>1969/70</u>
I	236	228	322	363
II	229	236	382	445
III	273	279	568	654
IV	1,656	1,677	3,094	3,653
Total	2,394	2,420	4,366	5,115

Output of Other Agricultural Products

3. Total agricultural production probably rose considerably in 1969 because of sizable increases in the output of rice and livestock products. Production of many other agricultural products declined, however. The area planted to crops other than rice declined for the sixth consecutive year. Only the area planted to peanuts, fruits, green vegetables, tea, and coconuts increased in 1969, and in the case of coconuts output still fell 12 percent. Statistics available from the Ministry of Agriculture show that of the major agricultural products only the output of peanuts, coffee, fruits, and green vegetables increased in 1969 and that output of all items except vegetables, tobacco, and coffee was below the 1964 level.

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Output of Selected Agricultural Products  
(1,000 metric tons \*)

	<u>1964</u>	<u>1968</u>	<u>1969</u>
Sweet potatoes	301	235	226
Manioc	289	260	234
Peanuts	36	32	34
Fruits except pineapple	468	386	407
Other vegetables	108	193	235
Coconuts (million nuts)	141	111	98
Sugar cane	1,055	426	321
Tobacco	7	8	8
Tea	5	5	5
Coffee	3	3	4
Rubber	74	34	28

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\* Except as noted.

Following an increase of less than one percent in 1968, the rapid growth of vegetable production resumed in 1969. Output increased 22 percent and the area planted rose 24 percent. Production of sugar cane and rubber continued to decline sharply as a result of the war. Vietnamese forces apparently prevented the planting of sugar cane in many areas because it provides cover for the enemy. Rubber plantations, which are concentrated in III Corps, continued to be the scene of heavy fighting. The decline in output of some other crops, such as manioc and sweet potatoes, probably is attributable in part to farmers' desires to switch to more profitable agricultural products such as vegetables. For that reason, production of these crops is likely to continue to decrease.

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4. Detailed data on livestock production are not yet available, but output apparently reached record high levels in 1969. Preliminary reports indicate that poultry and egg production rose 15 percent and the swine population increased ten percent. The Directorate of Fisheries has reported that South Vietnam's fish catch also reached a record high. The marine and fresh-water fish catch increased 13 percent in 1969 as the result of an increase in the size of the fleet and number of motorized boats as well as the relaxation of curfew hours and removal of bans on fishing in several coastal areas.

#### Prices

5. Retail prices in Saigon rose two percent during the week ending 18 May but then declined by the same amount the following week to remain roughly 15 percent above the monthly average price level for December 1969.

6. The increase in austerity taxes on most imports, which was levied by decree last October, lapsed on 21 May as the result of the recent Supreme Court ruling that the decree was unconstitutional. Pending completion of legislative action on a law to replace the decree, Minister of Economy Ngoc raised by decree perequation taxes (a special customs duty) on those imports subject to the higher duties announced last October. The new perequation tax rates, which apparently are exactly equivalent to the former increase in austerity taxes, are not expected to be in effect long because, according to the embassy, final action on the austerity tax bill is anticipated soon. Many legislators were critical of the increase in perequation taxes which they called another illegal action by the executive branch. The government believes, however, that this stopgap tax measure is necessary to stabilize prices and prevent confusion until the higher austerity tax rates are restored. US officials reported on 26 May that there had been no significant price changes as a result of the changeover in taxes.

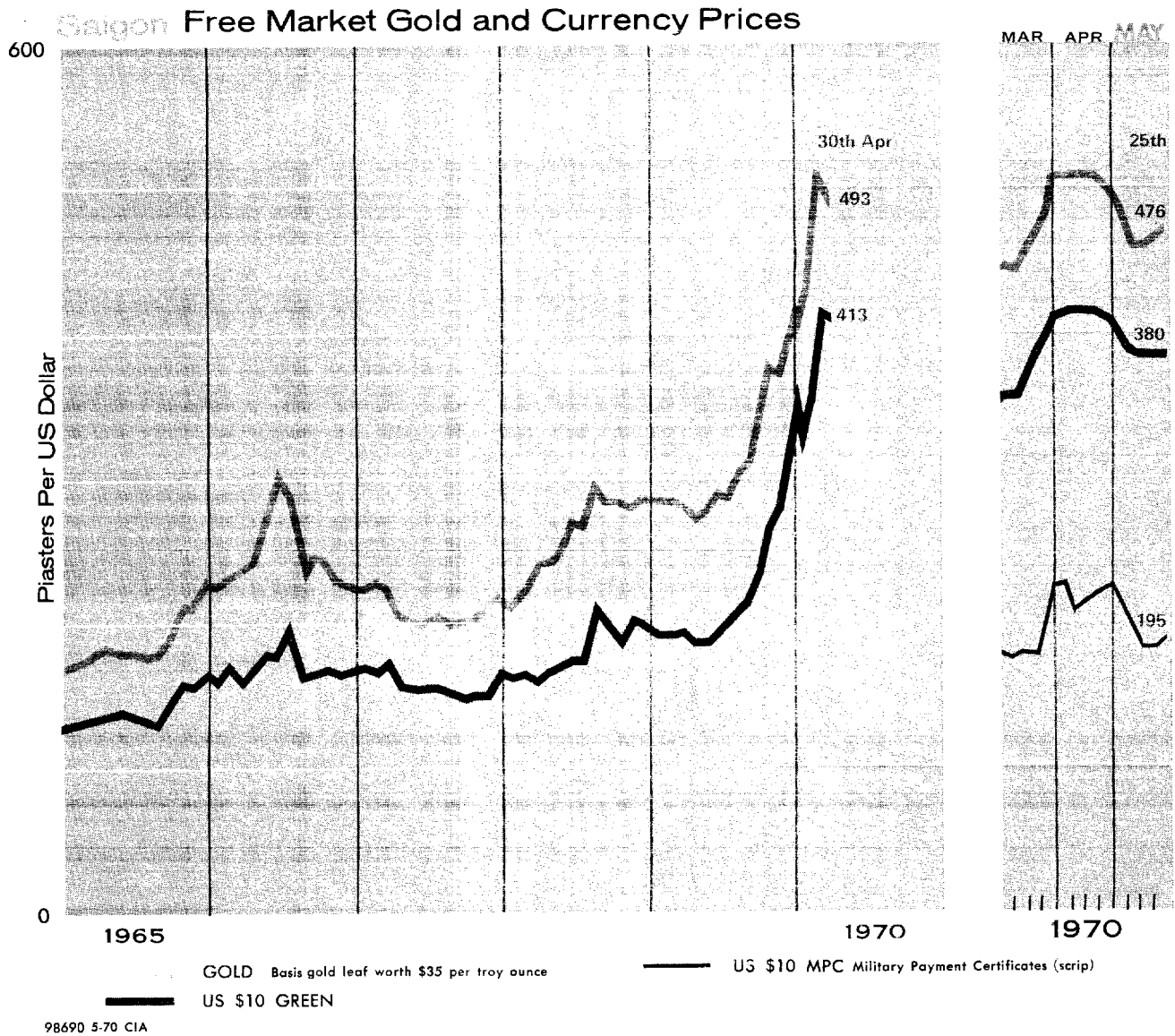
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~~SECRET~~Currency and Gold

7. During the two weeks ending 25 May the free market price of dollars in Saigon declined somewhat while the rates for gold leaf and scrip increased. The price of dollars declined from 390 to 380 piasters per dollar, the lowest level since mid-March but still more than triple the official rate of 118 piasters per dollar. The price of a dollar's worth of gold leaf rose seven piasters to 476 piasters. The rate for MPC (scrip), which had declined for three weeks, rose seven piasters to 195 piasters per dollar during the week ending 25 May. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

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